

RD AN No. 3477 (1951-F)
August 5, 1999

TO: State Directors
Rural Development

ATTN: Community Programs Managers

FROM: Eileen M. Fitzgerald
Acting Administrator
Rural Housing Service

SUBJECT: Refinancing Community Facilities and Recreation Association Loans

PURPOSE/INTENDED OUTCOME:

This Administrative Notice (AN) is being issued to remind State and area office staffs of the need to follow RD Instruction 1951-F very carefully and to fully document all actions regarding the review and refinancing of Community Facilities (CF) and Recreation Association (RA) loans.

COMPARISON WITH PREVIOUS AN:

This AN updates AN No. 3406 which was issued on July 27, 1998, and expired on July 31, 1999.

IMPLEMENTATION RESPONSIBILITIES:

1. To adequately evaluate each borrower for graduation, the area office must have detailed and current information regarding the interests of lenders in making loans within the region and State. RD Instruction 1942-A, section 1942.2(a) (2) (i), and RD Instruction 1951-F, section 1951.254(a) (2), require the State Director to maintain liaison with lenders in the State and develop criteria for determining which loans should be referred to lenders. The State Office should develop and maintain a list of interested lenders along with their lending criteria. This information should be provided to the area offices to use during graduation reviews. All contacts should be

EXPIRATION DATE:
August 31, 2000

FILING INSTRUCTIONS:
Preceding RD Instruction 1951-F

documented, and copies of the lender criteria developed by the State Office should be forwarded to each area office. If Attachment 1 is not used, documentation should contain similar information. The worksheet should be completed by servicing staff based on the results of lender interviews. Area offices that contact local lenders should provide copies of completed lender contact worksheets to the State Office.

2. A list of borrowers for the initial screening can be generated using Report CP09, "Graduation Review and Monitoring," on the Rural Development FOCUS Reporting System. This list may be generated as early as October 1 (the first day of the fiscal year).
3. The initial screening process is intended to eliminate from further review those borrowers who clearly cannot graduate. RD Instruction 1951-F, section 1951.263(b) (1), lists circumstances where a borrower can be eliminated from further review. Information to support eliminating borrowers that do not meet minimum lending criteria should be immediately available in the casefile; otherwise a thorough review, including a careful review of current financial statements, must be conducted. If a borrower is eliminated from further review because they are unable to meet established minimum lending criteria, specific circumstances of the borrower and specific lending criteria which cannot be met must be documented as required by RD Instruction 1951-F, section 1951.263(b) (5). If Attachment 2 is not used, documentation should contain similar information.
4. Thorough reviews may be accomplished at the same time as the initial screening if current financial information is available in the file. If current financial information is not in the file, such information should immediately be requested from the borrower. Acceptable reviews cannot be completed without current financial information. When conducting thorough reviews, careful attention should be given to borrower investments and liquid assets, such as cash certificates of deposits, unrestricted accounts, and any restricted accounts controlled by the governing board. Funds earmarked for future facility improvements would not ordinarily be excluded from the review process unless the borrower is actively developing construction plans and seeking financing for the improvements. If Attachment 3 is not used, documentation should contain similar information.
5. Servicing officials should consider using trial referrals for those borrowers who may be able to graduate as provided in RD Instruction 1951-F, section 1951.263(d). If the trial referral is handled verbally, the results should be thoroughly documented.

6. All Community Programs servicing officials are reminded that CF and RA loans are to be reviewed for graduation with the borrower making a reasonable effort in applying to other lending institutions for a loan at reasonable rates and terms as required by RD Instruction 1951-F, section 1951.253. Applications received after a borrower has been requested to graduate will be handled in accordance with RD Instruction 1951-F, section 1951.265(a).
7. After completing the graduation reviews, please forward a list of CF and RA borrowers who have the potential to refinance outstanding debt to the National Office contact person listed below. A national listing of these borrowers will be maintained on the Rural Housing Service (RHS) world wide web site (www). The data required for this list includes borrower name, borrower office address, borrower representative's name, borrower representative's office telephone number, type of facility, original loan amount, date of the loan, and type of security. As borrowers graduate, please notify the National Office so data listed on the RHS www site can be kept current. Please continue to update the graduation information on the Rural Community Facilities Tracking System.

This AN should serve as a reminder of the importance of the graduation process. If you have questions regarding this AN, please contact Joseph Ben-Israel, Servicing and Special Authorities Branch, Community Programs, (202) 720-1497, or fax (202) 690-0471.

Attachments not Automated.